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February 23, 2010

Joel Gurin
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Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Ruth Milkman
Chief
Wireless Telecommunications Bureau
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: **Request for Information Regarding Verizon Wireless' Early
Termination Fee Policy; Consumer Information and Disclosure, CG
Docket No. 09-158**

Dear Mr. Gurin and Ms. Milkman:

I write in response to your inquiry of January 26, 2010, regarding Verizon Wireless' early termination fees ("ETFs") for wireless service.

On December 18, 2009, Verizon Wireless provided a response to your initial letter dated December 4, 2009, which requested some of the same information requested here. As you have suggested, I reference below my December 18 letter and update the information provided in that letter as appropriate.

As I explain in detail below, the company has made two changes to its practices since my December 18 letter. First, we are changing the price cards displayed next to devices in our stores to include the amount of the ETF for each device. Second, we have reduced the number of devices that are subject to the \$350 ETF.

Verizon Wireless offers consumers many choices for equipment and service plans, including whether or not to sign a term contract with an ETF. Term contracts enable Verizon Wireless to offer wireless devices at substantial discounts from their full retail price. By reducing up-front costs to consumers, our pricing structure enables many more customers to access a range of state-of-the-art broadband services and capabilities. At the same time, consumers have the option of avoiding an ETF entirely by paying the full retail price for a device and subscribing to service on a month-to-month basis, or by subscribing to one of Verizon Wireless' prepaid service options.

Verizon Wireless strives to ensure that customers are aware of their options, understand the differences among those options, and have access to assistance when questions arise about their device and service plan. Indeed, Verizon Wireless was recently identified as the industry leader in the area of customer care in the J.D. Power and Associates' 2010 Wireless Customer Care Performance Study^(SM), released on February 4, 2010.¹ This study notes that, in part, Verizon Wireless' position "can be attributed to Verizon's ability to identify customer problems quickly and resolve them efficiently during phone calls and in-person visits to retail locations." Verizon Wireless regularly enhances and expands its customer service capabilities to service its growing customer base.

Your letter asks us to discuss how and where we disclose relevant information on ETFs to customers. My December 18 letter at pages 3 through 8 discusses in detail the multiple ways in which Verizon Wireless informs customers about the ETFs associated with term contracts, including in print advertising, checklists for sales representatives, scripts of telesales representatives, the Customer Agreement, detailed customer guides, sales receipts, on-line store disclosures and sales confirmation letters that are sent to customers. Examples of these forms of disclosure were quoted in my December 18 letter and included as Exhibits B, C, D, E, F, G, H, I, J, and K.

To provide yet another way for customers to be informed of ETFs, Verizon Wireless is revising the price cards (Exhibit F to my December 18 letter) accompanying handset displays in its retail stores to specify the amount of ETF applicable to that device.

1. Do your ETFs apply to all service plans or only some? If so, which ones?

Verizon Wireless' ETFs apply to all term contract plans. They do not apply to month-to-month service plans or prepaid service plans that Verizon Wireless also offers.

¹ The study notes: "Verizon Wireless, which owns and operates the largest mobile telecommunications network in the United States, ranks highest in the study with an index score of 753 (on a 1,000-point scale), 14 points higher than the industry average of 739." <http://mobile.jdpower.com/telecom/articles/2010-Wireless-Customer-Care-Volume-1>.

2. *What is the amount of the ETF for each service plan where ETFs apply? If there are different ETFs for different plans, what is the rationale for those differences?*

Please refer to my December 18 letter at pages 3-4 and 8-9, which fully responds to this question. In brief, a customer who chooses a one-year or two-year term contract plan but who terminates service before the end of the term is subject to an ETF of either \$175 or \$350, depending on whether the customer has purchased a regular or an Advanced Device at a discount at the time of activation. (The list of Advanced Devices is provided in response to Question 4, below.) The ETF declines over time, \$5 each month completed by the customer for the \$175 ETF and \$10 each month for the \$350 ETF. A customer who chooses a month-to-month or prepaid plan is not subject to an ETF.

3. *How much of a discount on handset purchase is given in return for a consumer accepting an ETF? Does the amount of the discount differ by device, and if so, how?*

The discount on a device purchased by a consumer in conjunction with a term contract with an ETF varies by device, the length of the term commitment, and the available promotions. Pricing of equipment generally is based on the cost to Verizon Wireless for the device, the competitive market for similar devices, the features on the device, the current promotions in the various retail channels, and the age of the device model, among other factors. Below are a few examples of currently available prices and discounts for currently available equipment models, including Simple Feature phones (F), 3G Multimedia Phones (M), 3G Smartphones (S) and Netbooks (N).² 3G Smartphones and Netbooks are considered Advanced Devices for ETF purposes.

Device Model	With month-to-month plan (full retail)	With 1-year contract	With 2-year contract
Samsung Intensity (F)	\$199.99	\$120.00, but with on-line discount or mail-in rebate \$70.00	\$50.00, but with on-line discount or mail-in rebate FREE
Motorola Barrage (F)	\$299.99	\$249.99, but with on-line discount or mail-in rebate \$199.99	\$179.99, but with on-line discount or mail-in rebate \$129.99

² Currently available devices, prices and promotions are all subject to change. Additional promotional offers may apply in certain retail channels, which could further reduce the price of the equipment to the consumer.

LG Chocolate Touch (M)	\$259.99	\$169.99, but with on-line discount or mail-in rebate \$119.99	\$99.99, but with on-line discount or mail-in rebate \$49.99
Samsung Rogue (M)	\$419.99	\$249.99, but with on-line discount or mail-in rebate \$149.99	\$179.99, but with on-line discount or mail-in rebate \$79.99
BlackBerry Storm 2 (S)	\$539.99	\$349.99, but with on-line discount or mail-in rebate \$249.99	\$279.99, but with on-line discount or mail-in rebate \$179.99
Motorola Droid (S)	\$559.99	\$369.99, but with on-line discount or mail-in rebate \$269.99	\$299.99, but with on-line discount or mail-in rebate \$199.99
Gateway LT2016u Netbook (N)	\$599.99	\$319.99, but with on-line discount or mail-in rebate \$219.99	\$249.99, but with on-line discount or mail-in rebate \$149.99

4. *Does the ETF itself vary by device (e.g., higher ETFs for advanced devices)? If higher ETFs apply to a certain class of devices, exactly how is that class defined?*

As I explained in my December 18 letter, Verizon Wireless introduced a new ETF, starting at \$350, for certain advanced devices. Verizon Wireless recently decided to reduce the number of devices that are subject to the new \$350 ETF, thereby increasing the number of devices that are subject to an ETF starting at the lower \$175 level. I am therefore updating the information in my December 18 letter at page 3 and Exhibit A, which identified the devices that are subject to the \$350 ETF.

The recent reorganization of our Advanced Device category is designed to make the differences between Advanced Devices and all other device models more transparent to consumers. We have also organized devices into these categories in the Verizon Wireless on-line store for ease of comparison.

Initially, 46 individual models (including variants of specific devices such as the BlackBerry Curve) were designated as Advanced Devices, as indicated in Exhibit A of my December 18 letter. On January 18, 2010, Verizon Wireless removed ten models from the Advanced Device list. (Two devices have been added since the date of my initial response, the Palm Pixi Plus and Palm Pre Plus.) A copy of the revised list is attached to this letter as Exhibit A, and is available at www.verizonwireless.com/advanceddevices.

The devices that now appear on the Advanced Device list are 3G Smartphones that have third-party operating systems (e.g., BlackBerry, Android, Palm, Windows Mobile) and Netbooks. All 3G “Multimedia Phones” without third-party operating systems are no longer subject to the \$350 ETF. Verizon Wireless’ 3G Multimedia and Simple Feature Phones, PC cards, USB modems, and the MiFi device are now all subject to the \$175 ETF when the customer purchasing them signs a term contract. Existing customers who purchased those devices that were removed from the Advanced Device list between November 15 and January 18 and who signed a term contract would be subject to an ETF starting at \$175 if they cancel service before the end of their term commitment.

5. *Is it possible for consumers to buy a handset from you at full price to avoid an ETF? If this is possible, can consumers buy unsubsidized handsets online, as well as at brick-and-mortar stores?*

Consumers may choose to pay the full retail price for the handset and subscribe to service on a month-to-month basis, instead of accepting a term contract with an ETF. They may do so online as well as at retail stores.

6. *Do monthly service rates and terms differ: (1) between customers who assume a term commitment and accept an ETF, and those who don’t, and (2) between customers who purchase an unsubsidized device (either from your company or a third party), and those who purchase a subsidized device? If so, how do they differ, and what is the rationale for the difference? Can customers easily determine the impacts of their decisions and their rates and terms?*

There is no difference in monthly service rates or other terms and conditions of service (other than the length of the contract) between customers that choose to sign a term contract with an ETF and customers who choose a month-to-month contract and purchase a handset at full price. My December 18 letter (pages 3-8) describes in detail the many ways in which Verizon Wireless informs customers about the options available to them to purchase a discounted handset when signing a one-year or two-year term contract or to purchase a non-discounted handset when signing a month-to-month contract. In any case, however, the monthly service plan rates are the same.

7. *Are ETFs prorated so that the customer’s liability decreases over time? If so, what is the exact schedule by which they are prorated?*

Please refer to my December 18 letter at page 7. Briefly, if an ETF starts at \$175, that ETF declines by \$5 per month for each month of the contract term that the customer completes. If an ETF starts at \$350, that ETF declines by \$10 per month for each month of the contract term that the customer completes. At the end of the contract term, the customer’s service contract converts to month-to-month, and no ETF applies if this customer cancels while on month-to-month service.

8. *If a customer renews his or her contract without buying a new handset, does his or her monthly service fee change in any way?*

Initially, I note that once a customer's term contract ends, he or she migrates to a month-to-month plan automatically at the same rate as the term contract. When customers renew term contracts with Verizon Wireless, the vast majority do so by purchasing a new handset. A very small number of customers may also agree to renew their contracts in return for a service promotion, such as receiving additional minutes of use at no extra charge. In either circumstance, however, the customer's monthly service rate does not change.

9. *How long is the trial period during which consumers can cancel their service without an ETF penalty? If they cancel, can they return the handset? If they return it, will they receive a full refund, no refund, or a refund minus a restocking and/or refurbishing fee?*

Please refer to my December 18 letter at pages 7-8. Briefly, Verizon Wireless offers a "Worry Free Guarantee" that allows customers to cancel service for any reason within thirty days of activation without incurring an ETF.³ Customers choosing to cancel during that period and to return the device they purchased at a discount to Verizon Wireless receive a full refund for the device.

10. *When do consumers receive their first bill under your service plans? How does the trial period relate, if at all, to receipt of the first bill?*

Customers receive their first bill depending on the billing cycle they are on. As my December 18 letter at page 7 explained, Verizon Wireless provides a "Worry Free Guarantee" that allows customers to cancel service for any reason within thirty days of activation. Depending on the customer's bill cycle, a customer may or may not receive the first bill prior to the expiration of this thirty-day period. However, customers that sign up at a store receive an estimated calculation of their first bill at the point of sale. In addition, all customers signing up for service are sent a letter confirming their agreement within five days of activation, which provides the customer information about the contract term and the ETF.

11. *Are there consumer fees or charges in addition to ETFs if consumers buy handsets and/or service plans from online phone dealers, such as Amazon, LetsTalk, and Simplexity (d/b/a Wirefly), or from a service provider, if a customer does not*

³ Verizon Wireless disagrees with the characterization of the ETF as a "penalty" in this question. An ETF provides customers an option of terminating the contract early, and also satisfies the standards governing liquidated damages provisions, if applicable. The Commission itself has stated that contract cancellation fees are "a valid *quid pro quo* for the rate reductions included in long-term plans." *Ryder Communications, Inc.*, 18 FCC Rcd 13603, 13617 (2003).

complete the contract term? If so, what are they, and what are their levels, terms, and conditions? Do the fees or charges affect the ETFs and if so, how?

Customers may activate service on Verizon Wireless' network through Verizon Wireless directly, or through an indirect agent or retailer. Although these indirect agents, including several national retailers, activate service for customers on Verizon Wireless' network, they sell handsets and accessories to retail customers independently from Verizon Wireless. These vendors are not obligated to purchase devices from Verizon Wireless, but instead may and do obtain equipment through other channels to sell to customers. Also, these vendors enter into contracts for sales of equipment directly with retail customers and Verizon Wireless is not privy to these contracts. Accordingly, Verizon Wireless does not track the terms of equipment purchase contracts between the third party vendors and consumers.

Customers have the same choices as to service plan options with Verizon Wireless when they purchase the device through an indirect agent as when they activate service in a Verizon Wireless store or online. Customers may choose a month-to-month option and thus decide not to enter into a Verizon Wireless service plan with an ETF if they purchase equipment from the indirect agent. Or, a customer may choose among the various Verizon Wireless service plans and enter into a term contract. However, if the customer chooses to enter into a term contract under these circumstances, Verizon Wireless' ETF policy will apply in the same way it applies to customers who purchase devices and activate service directly through Verizon Wireless.

12. *Press reports and public statements from wireless companies have attributed ETFs to several different factors. What is the rationale for your ETF(s), and how specifically do the structure and level of those ETF(s) relate to that rationale?*

Please refer to my December 18 letter at pages 8-9, which sets forth the rationale for Verizon Wireless' ETFs and their structure and level. In brief, term contracts with ETFs benefit consumers by enabling them to obtain access to devices at a significantly lower up-front cost, while enabling Verizon Wireless to recoup the extraordinarily expensive investment required to support its wireless network and operations and the cost of providing the devices at a substantial discount. When customers choose to terminate their contracts early, the ETF helps Verizon Wireless recover a portion of these costs. As noted in my December 18 letter, the Declaration of Prof. Jerry Hausman and Verizon Wireless' comments submitted in WT Docket No. 05-194 explain and amplify the rationale for ETFs and their inclusion in wireless service plan rate structures.

* * *

A wireless provider's ability to assess ETFs expands the choices available to customers and allows these customers to access sophisticated devices at discounted prices. The vast majority of Verizon Wireless' customers choose term contracts with ETFs because of the benefits these arrangements provide: the opportunity to buy state-of-the art devices and capabilities at a price significantly below retail. But, in the end, this choice is the customer's. As I have explained here and in my December 18 letter, Verizon Wireless is committed to ensuring that its customers are aware of and understand the many options available to them to receive reliable wireless service using innovative devices.

Please feel free to contact me if you have any other questions or need further information.

Respectfully submitted,

A handwritten signature in black ink, reading "Kathleen Grillo". The signature is written in a cursive, flowing style.

Kathleen Grillo

Attachment



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Wireless Support

Need help with your Internet, TV or Home Phone? [Visit Residential Support](#)

Search for Support

Example: How do I download VZ Navigator?

Search

My Recent Searches: [Advanced Devices](#), [samsung rogt detailed billing](#)

Popular Searches: [backup assistant](#), [email](#), [battery](#)

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Advanced Device List*

To see a list of Advanced Devices for Total Equipment Coverage/Wireless Phone Protection, [here](#).

Device/Model SKU

BlackBerry 8703E	BB8703E
BlackBerry 8830	BB8830SLV
BlackBerry 8830 Red	PRD-17070-001
BlackBerry Curve 8330	BB8330C
BlackBerry Curve 8330 Pink	BB8330PNK
BlackBerry Curve 8530 - Black	BB8530
BlackBerry Curve 8530 - Smoky Violet	BB8530L
BlackBerry Pearl 8130	PRD-16212-001
BlackBerry Pearl 8130 Pink	PRD-16970-001
BlackBerry Pearl Flip 8230	BB8230F
BlackBerry Storm - 9530	BB9530T
BlackBerry Storm2 9550	BB9550S2
BlackBerry Tour 9630	BB9630TR
BlackBerry Tour 9630 - Non Camera	BB9630TRNC
Gateway LT2016u Netbook	LT2016u
HP Mini 110-1046NR Netbook	NB1046NR
HP Mini 1151NR netbook	NB1154NR
HP Mini 311-1037NR Netbook	NB1037NR
HTC DROID Eris	ADR6200VW
HTC Imagio	XV6975
HTC Ozone	XV6175
HTC Touch Diamond	XV6950
HTC Touch Pro	XV6850
HTC Touch Pro2	XV6875
Motorola DROID	MOTA855
Motorola Q9c	MOTQ9C
Palm Centro	CENTRO690P
Palm Pixi Plus	P121VZW
Palm Pre Plus	P101VZW
Palm Treo Pro	850W
Samsung Omnia	SCHi910ZKV
Samsung Omnia II SCH-I920	SCHi920DAV
Samsung Saga SCH-i770	SCHi770DBV
Samsung SCH-i760	SCHi760ZKV
Verizon VZHUB	VZHUB
Verizon Wireless SMT5800	SMT5800VW
Verizon Wireless XV6800	XV6800
Verizon Wireless XV6900	XV6900

*Early Termination Fee of up to \$350 applies